REPORT OF EXAMINATION
OF THE

FREMONT LIFE INSURANCE COMPANY

AS OF
JUNE 30, 2004

Participating State
and Zone:

California

Filed May 11, 2005

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Los Angeles, California
January 31, 2005

Honorable Alfred W. Gross
Chairman of the NAIC Financial
Condition Subcommittee
Commissioner of Insurance
Virginia Bureau of Insurance
Richmond, Virginia

Honorable John Morrison
Secretary, Zone IV-Western
Commissioner of Insurance and Securities
Montana Department of Insurance
Helena, Montana

Honorable John Garamendi
Insurance Commissioner
California Department of Insurance
Sacramento, California

Dear Chairman and Commissioners:

Pursuant to your instructions, an examination was made of the

FREMONT LIFE INSURANCE COMPANY

(hereinafter also referred to as the Company) at its home office located at 3070 Bristol Street, Suite 600, Costa Mesa, California 92626.

SCOPE OF EXAMINATION

The previous examination of the Company was made as of December 31, 1999. This examination covers the period from January 1, 2000 through June 30, 2004. The examination was conducted by the California Department of Insurance pursuant to the National Association of Insurance Commissioners' plan of examination. The examination included a review of the Company's practices and procedures, an examination of management records, tests and analyses of detailed transactions within the examination period, and an evaluation of the assets and a determination of liabilities, as deemed necessary under the circumstances.

In addition to those items specifically commented upon in this report, other phases of the Company's operations were reviewed including the following areas that require no further comment: corporate records; fidelity bonds and other insurance; officers', employees' and agents' welfare and pension plans; growth of company; business in force by states; mortality; and sales and advertising.

SUMMARY OF SIGNIFICANT FINDINGS

Lawsuits

The first lawsuit was the People of the State of California v. Alliance for Mature Americans et al. The Company and its ultimate parent, Fremont General Corporation (FGC), were involved in litigation with the State of California relating to business written by the Company through agents associated with the Alliance for Mature Americans (AMA). The suit alleged, among other things, that the Company (through AMA) engaged in unfair, unlawful and fraudulent business acts and practices and made untrue and misleading statements to its policyholders. On September 1, 1999, the California Superior Court (Court) fully adjudicated all claims against FGC. On December 16, 1999, the Court entered a judgement against the Company, which states the following:

(1) The Company is prohibited from transferring any assets except in the ordinary course of business until it has completed the Court-ordered restitution program and had its reserves approved by the California Department of Insurance (CDI);

(2) The Company is prohibited from enforcing the premium charge provision on the annuities it sold through AMA and requires the Company to refund premium charges it previously collected, and to add an endorsement to those policies deleting the premium charges, and to send notice to the annuity purchasers (or beneficiaries if the annuitant has died) about the prohibition on collecting of the premium charges (California policyholders only). It does not prohibit enforcement of the surrender charge provision on the annuities sold through AMA;

(3) The Company is required to pay the sum of $2,543,100 in civil penalties;

(4) The court enjoined the Company from various conduct in connection with its annuities and other insurance products; and

(5) The Company is required to provide information to the CDI so that it can determine if the Company has set its reserves high enough to address the elimination of the premium charge.

The Company appealed the judgment to the California Court of Appeals. It posted appeal bonds totaling $10.8 million representing its estimated total monetary judgment obligations. The appeal was bonded by Hartford Fire & Casualty Insurance Company (Hartford). The bond was secured by a Letter of Credit (LOC) issued by First Union Bank (succeeded by Wachovia Securities) (Wachovia). In 2003, after the Court of Appeals affirmed the Judgment and when the fair market value of the LOC collateral account had grown to $12 million, Wachovia transferred $10.8 to Hartford. The remaining $1.2 million was returned to the Company.

The second lawsuit was Gularte v. Fremont Life Insurance Co. et al. This was an action filed by Tony Gularte in July 1998, in his individual capacity and as a representative of all annuitants who purchased certain of the Company's annuities. The Company settled Tony Gularte's individual claim for $150,000 just prior to trial in 2003. The remaining causes of action under California Business & Professions Codes Sections 17200 et seq. for the Company's annuities sold in California by Broker's International, to annuitants who were 80 years old or older at the time of purchase was settled as follows: The total consideration from the Company for the settlement was $1,250,000. The Company has already paid and expensed in 2004, the attorney fees and costs totaling $536,710.70 and reimbursements of surrender charges imposed at death totaling $366,041.85. The remaining $280,665.70 was set aside for this portion of the settlement is not required to be paid because the deadline for death beneficiary submission of an executed release has passed. The only two remaining portions to be paid are: 1) the estimated $40,000 administration expenses to the settlement administrator, Rosenthal & Co., when it completes the administration of this settlement; and 2) the reduction of future surrender.

Certificate of Assumption of Liability

The Company had assumed Workers Compensation business via a certificate of assumption of liability from Fremont Reinsurance Company (FRC). The Company assumed all obligations and liabilities under the reinsurance agreement previously entered into between Pacific Compensation

Insurance Company and FRC. The business is in a runoff status. As of December 31, 2001, the Company reported in its Annual Statement assets of $212,148 and loss reserves of $210,812 that were remaining under the terms of this agreement. In the 2002 Annual Statement, the Company stopped reporting any assets or liabilities under this agreement. According to the Company the agreement was commuted in 2001. The Company is unable to locate a commutation agreement for this Certificate of Assumption of Liability.

The Company surrendered its workers compensation (WC) authorization in 2003. It is managements position that the deposit should be returned to the Company. However, until such time that the Company is able to provide documentation that this Certificate of Assumption of Liability has been terminated, the WC deposit remains with the CDI.

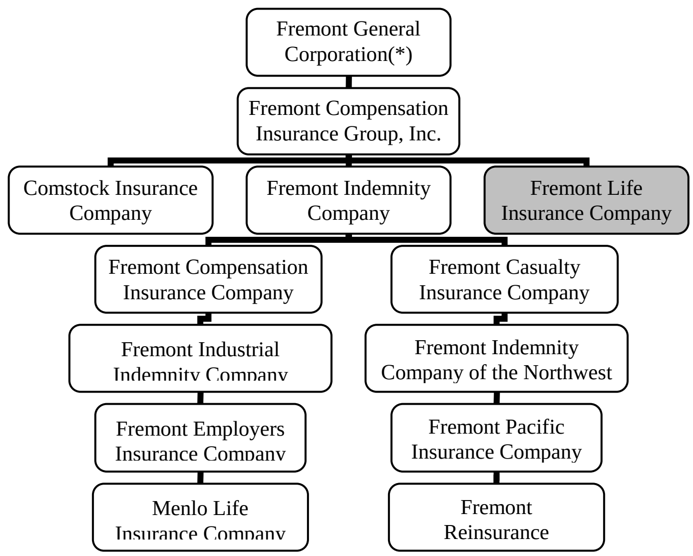
COMPANY HISTORY

The Company was incorporated in the State of California on March 24,1954, and is licensed as a life, annuity and accident and health insurance Company. The Company is a wholly-owned subsidiary of Fremont Compensation Insurance Group, Inc., which is a wholly-owned subsidiary of Fremont General Corporation (FGC). In 1998, with approval from the California Department of Insurance (CDI), the Company paid an $18 million dividend to Fremont General Corporation.

As of June 30, 2003, the Company's capital and surplus dropped to $4.13 million, which was below the minimum required level of $5.6 million. In December 2003, the Company received a cash contribution from its ultimate parent, FGC, of $2 million. As of December 31, 2003, the Company's capital and surplus was $5.28 million. In February 2004, the Company filed an application with the CDI to delete life, disability, liability, workers' compensation and common carrier liability lines. In June 2004, the CDI approved this application. As a result, the Company's minimum capital and surplus is now $4.5 million. It is recommended that the Company increase its current capital and surplus position to meet the minimum requirements.

MANAGEMENT AND CONTROL

The Company is a wholly-owned subsidiary of Fremont Compensation Insurance Group, Inc. The following abridged organizational chart depicts the Company's relationship within the following holding company system:



* includes companies under the management and control of the California Insurance Commissioner

Management of the Company is vested in a four-member board of directors elected annually. The following are lists of directors and principal officers serving on June 30, 2004:

Directors

Name and Residence	Principal Business Affiliation
James A. McIntyre Los Angeles, California	Chairman of the Board and Chief Executive Officer Fremont General Corporation
Louis J. Rampino Long Beach, California	President and Chief Operating Officer Fremont General Corporation

Name and Residence	Principal Business Affiliation
Wayne R. Bailey Calabasas, California	Executive Vice President and Treasurer Fremont General Corporation
Alan W. Faigin, Esq. Pacific Palisades, California	General Counsel Fremont General Corporation

Principal Officers

Name	Title
James A. McIntyre	Chairman of the Board
Louis J. Rampino	President and Chief Executive Officer
Wayne R. Bailey	Executive Vice President and Treasurer
Robert C. Pfeil, Jr.	Senior Vice President and Chief Financial Officer
Raymond G. Meyers	Vice President
Patrick E. Lamb	Vice President
B. Morgan Taylor	Assistant Vice President
Alan W. Faigin	Secretary and General Counsel
Marilyn I. Hauge	Assistant Secretary

Intercompany Agreements

Investment Portfolio Agreement: The Company's parent, Fremont General Corporation (FGC), manages the Company's investment portfolio under the terms of a written agreement dated August 1, 1997. Fees charged the Company are on an actual cost reimbursement basis.

Tax Allocation Agreement: Effective in January of 1994, the Company entered into a Tax Allocation Agreement with FGC and its subsidiary, Menlo Life Insurance Company. The agreement provides that any benefit of surtax exemption will be given to FGC. The Company will be liable to FGC for any additional taxes resulting from amended tax returns or examination audits. The Company will also be entitled to a reimbursement from FGC for any refunded taxes resulting from amended tax returns or examination audits.

Other Management Agreements

Services Agreement: In January 1996, the Company entered into a Services Agreement with Americo Life, Inc. (ALI) wherein ALI provides administrative services to process, administer and account for the universal life and annuity business reinsured with Employers Reassurance Corporation under coinsurance agreements. During the six months ended June 30, 2004, premium written in: Washington $25,691 or 63% of total premium written, Colorado $6,516 or 16% of the total premium written, Illinois $3,818 or 10% of the total premium written, Oregon $1,627 or 4% of the total premium written, and California $1,366 or 3% of the total premium written,

TERRITORY AND PLAN OF OPERATION

The Company is a California domiciled life and health insurance company with licenses in the following 13 states and Guam; Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, Oregon, South Dakota, Utah, Washington and Wyoming.

The Company discontinued writing new business in January 1995. The Company entered into a coinsurance agreement with Great Southern Life Insurance Company (GSL) in 1996 to reinsure all its existing annuity, life and credit in-force business and any future business written by the Company. To date, certain remaining annuity business remains coinsured on a 100% quota-share basis with GSL. GSL administers all the contracts and maintains the related assets. The Company continues to maintain and administer on its books about 650 universal life and miscellaneous other policies. As of June 30, 2004 the Company has essentially no processing operations and has written no new business in the past nine years.

REINSURANCE

Assumed

Effective December 30, 1987, under the terms of an assumption agreement with its affiliate, Fremont Reinsurance Company (FRC), the Company assumed (via a "Certificate of Assumption of Liability") certain workers' compensation business from Pacific Compensation Insurance Company (PCIC). The Company assumed all obligations and liabilities under a reinsurance agreement previously entered into between PCIC and FRC. By virtue of this agreement, the liabilities and obligations of FRC are now directly those of the Company.

This agreement was mutually commuted in 2001 resulting in an equity adjustment of $1,336. There had been no activity on this treaty since 1993. The Company is unable to locate a commutation agreement for this Certificate of Assumption of Liability.

Ceded

The Company maintains reinsurance ceded agreements with authorized reinsurers. For the ordinary line of business, reinsurance is ceded to authorized reinsurers on a yearly renewable term and coinsurance basis. The Company's retention on direct business is $125,000, on any one life, and is exercising its recapture privileges on existing business.

The Company entered into automatic coinsurance reinsurance agreements with Great Southern Life Insurance Company (GSL), effective December 31, 1995 and January 1, 1996. Under the terms of the December 31, 1995 agreement, all of the Company's universal life business was ceded. All of the Company's annuity business was ceded under the terms of the January 1, 1996 agreement.

The cession of all of the Company's universal life and annuity business under these agreements was subject to California Department of Insurance (CDI) approval pursuant to California Insurance Code Section 1011(c). An application for approval was submitted to the CDI on March 11, 1996 and was approved on June 27, 1996.

The Company also has coverage under a number of treaties, which have been terminated. Policies remain reinsured under these treaties until maturity, expiration, surrender, death, or conversion. In addition, the Company has a number of facultative contracts.

In April 2004, the Company entered an into assumption reinsurance and coinsurance agreement with United Life Insurance Company (ULTC), whereby the Company will transfer all life insurance policies in-force to ULTC on (a) a 100% coinsurance basis effective January 1, 2004, and (b) an assumption reinsurance basis when all legal requirements for the assumption have been satisfied.

FINANCIAL STATEMENTS

The financial statements prepared for this examination report include:

Statement of Financial Condition as of June 30, 2004

Summary of Operations and Capital and Surplus Account for the
Quarter Ended June 30, 2004

Reconciliation of Capital and Surplus from December 31, 1999 through June 30, 2004

Statement of Financial Condition
as of June 30, 2004

Assets	Ledger and Nonledger Assets	Assets Not Admitted	Net Admitted Assets	Notes
Bonds	$ 3,197,640	$	$ 3,197,640	
Common stocks	500		500	
Cash and short-term investments	3,010,519		3,010,519	
Contract loans	301,575		301,575	
Electronic data processing equipment	6,541		6,541	
Federal Income tax recoverable	3,233,446	3,233,446		
Investment income due and accrued	65,678		65,678	
Receivable from parent, subsidiaries and affiliates	244,724		244,724	
Other assets nonadmitted	961,014	961,014		
Aggregate write-ins for other than invested assets	191,130	21,959	169,171	
Total assets	$ 11,212,767	$ 4,212,419	$ 6,996,348	

Liabilities, Capital and Surplus			Notes
Aggregate reserve for life policies and contracts		$2,856,589	(1)
General expenses due or accrued		4,302	
Taxes, licenses and fees due or accrued		36,015	
Unearned Investment Income		11,050	
Amounts withheld or retained by Company as agent or trustee		3,237	
Amounts held for agents' account		2,294	
Remittances and items not allocated		26,751	
Asset valuation reserve		125	
Aggregate write-ins for liabilities		362,749	
Total liabilities		3,303,112	
Common capital stock	$ 2,500,000		
Gross paid-in and contributed surplus	12,368,682		
Unassigned surplus	(11,175,446)		
Surplus	1,193,236		
Capital and surplus		3,693,236	
Total liabilities, capital and surplus		$ 6,996,348	

Summary of Operations and Capital and Surplus Account for the Quarter Ended June 30, 2004

Summary of Operations

Premiums and annuity considerations	$ 16,676
Net investment income	122,010
Commissions and expense allowances on reinsurance ceded	710
Aggregate write-ins for miscellaneous income	611
Total	140,007
Death benefits	185,014
Disability benefits and benefits under accident and health contracts	102,801
Surrender benefits and withdrawals for life contracts	391,019
Interest on policy or contract funds	1,065
Increase in aggregate reserves for life and accident and health contracts	(129,928)
Commissions on premiums and annuity considerations	22,516
Commissions on premiums, annuity considerations and Deposit type contract funds	1,495
General insurance expense	1,124,241
Insurance taxes, licenses and fees, excluding federal income taxes	47,108
Total	1,722,815
Net loss	$(1,582,808)

Capital and Surplus Account

Capital and surplus, December 31, 2003	$5,279,098
Net loss	(1,582,808)
Change in nonadmitted assets and related items	(3,054)
Net change in capital and surplus for the year	(1585,862)
Capital and surplus, June 30, 2004	$3,693,236

Reconciliation of Capital and Surplus
from December 31, 1999 through June 30, 2004

	Gain in Surplus	Loss in Surplus	
Capital and surplus, December 31, 1999, per Examination			$ 11,735,919
Net loss	$	$ 8,600,307	
Change in nonadmitted assets and related items		1,442,376	
Surplus Adjustment: Paid-in	2,000,000		
Total gains and losses in surplus	$ 2,000,000	$ 10,042,683	
Decrease in capital and surplus			(8,042,683)
Capital and surplus, June 30, 2004, per Examination			$ 3,693,236

COMMENTS ON FINANCIAL STATEMENT ITEMS

(1) Aggregate Reserve for Life Policies and Contracts

A Life Actuary from the California Department of Insurance performed an actuarial review of reserves as reported in the Company's June 30, 2004 Quarterly Statement. Based on the work performed, the Company's June 30, 2004 Aggregate Reserves were determined to be statutorily correct.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

Current Report of Examination

Summary of Significant Findings – Lawsuits (Page 2): At year-end 1999, the Company accrued $2,543,000 (general expense) for civil penalties and $3,600,827 for return of premium charges due as a result of the judgment ordered by the Court. The Company appealed the judgment and posted appeal bonds totaling $10.8 million representing its estimated total monetary obligations. The appeal was bonded by Hartford Fire & Casualty Insurance Company (Hartford). The Bond was secured by a Letter of Credit (LOC) issued by First Union Bank (succeeded by Wachovia Securities) (Wachovia). In 2003, after the Court of Appeals affirmed the Judgment, and the LOC collateral account had grown to $12 million, Wachovia transferred $10.8 to Hartford. The remaining $1.2 million was returned to the Company.

Summary of Significant Findings – Certificate of Assumption of Liability (Page 4): The Company surrendered its Workers Compensation (WC) authorization in 2003. It is managements position that the deposit should be returned to the Company. However, until such time that the Company is able to provide documentation that this Certificate of Assumption of Liability has been terminated, the WC deposit remains with the CDI.

Company History (Page 4): It is recommended that the Company increase its current capital and surplus position to meet the minimum requirements.

Previous Report of Examination

Summary of Significant Findings (Page 2): At year-end 1999, the Company accrued $2,543,000 (general expense) for civil penalties and $3,600,827 for return of premium charges due as a result of the judgement ordered by the Court. The judgement was upheld during the examination period.

Corporate Records (Page 5): It was recommended that the Company implement procedures in its board meetings to ensure compliance with the California Insurance Code Section 735. The Company is now in compliance.

ACKNOWLEDGMENT

The courtesy and cooperation extended by the Company's officers and employees during the course of this examination are hereby acknowledged.

Respectfully submitted,

_____/S/__________________
Samuel J. Salzman, CFE
Examiner-In-Charge
Associate Insurance Examiner
Department of Insurance
State of California